Financial Literacy

A survey released in February 2008 by Dartmouth College and Harvard University researchers found that only 35 percent of respondents were able to correctly estimate how interest compounds over time; more than half of respondents did not understand how minimum payments are calculated and applied to a principal balance; and almost none of the respondents understood the financial difference between paying in monthly installments versus one lump sum at the end of a certain time period.

The financial crisis that began in the United States in July 2007, and which led to a global recession, indicates the dangers of a society with many citizens who do not understand basic financial principles. This elective course provides students with financial literacy skills to prepare them for the economic realities and responsibilities of adults in our society.

The course includes information about earning an income. They explore jobs and careers that might be of interest and identify the advantages and disadvantages of different jobs. They conduct research on a certain career, finding income paid and human capital required, and use cost/benefit analysis to evaluate post-secondary training and/or education. They look at a pay stub and identify gross income, net income, and the kinds of deductions that are involved. They learn about fixed and variable expenses and develop a budget for a high school graduate living on her/his own, recognizing scarcity, alternatives, choice and opportunity cost. Students learn to apply cost/benefit analysis to decisions that involve comparison shopping. They discuss the advantages and disadvantages of saving and learn about “paying yourself first” and the power of compound interest. Students learn about different types of financial

institutions, the services they provide, and the advantages and disadvantages of using these services. Students learn to evaluate wise and unwise credit choices. They discover how credit works and the impact of interest rates and the dollar amount of monthly payments on the length of the loan and the total amount paid. They learn about the criteria that a lender uses to evaluate a loan application including credit scores. They learn about state and federal laws related to personal finance (e.g., bankruptcy). They understand the investment risk/reward tradeoff. They use online calculators to investigate mortgage loans, retirement funds, and other interest related calculations. Students learn the dangers of identity theft and ways to minimize the risk of such thefts.